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• Overview
• Markets and Opportunities
• Strategy
• Products & Pipeline
• Milestones
Third Wave Overview

Third Wave…a growing leader in molecular diagnostics

• **The Invader® Chemistry**
  – One of just a few chemistries capable of enabling molecular diagnostics

• **Market**
  – Chemistry enables company to address high-value, rapidly growing molecular diagnostics market

• **Products**
  – Current menu of genetics and infectious disease products will continue to drive growth
  – Product pipeline focused on highest-value, highest growth market segments
• Patented Invader® chemistry one of the few nucleic acid testing (NAT) chemistries, gives Third Wave unique access to high-value markets

• Broad current menu of molecular diagnostic products to drive short-term growth
  – 30% CAGR in clinical molecular diagnostic revenue since 2001
  – Market leadership in coagulation-related marker testing
  – Positioned for leadership in pharmacogenetics

• Product pipeline focused on the highest-value molecular diagnostic markets
  – HPV
  – Warfarin metabolism
  – Other infectious disease and women’s health

• Growing businesses outside of U.S. clinical molecular diagnostic market
  – Third Wave Agbio
  – Third Wave Japan
Rising Health Care Costs

• U.S. health care spending will double by 2015 to $4 trillion
• 1 of every 5 dollars spent in 2015 will be spent on health care

Source: Centers for Medicare & Medicaid, Office of the Actuary, National Health Statistics Group
$29 billion spent worldwide on diagnostics in 2005

Diagnostic testing represents 3% of total health care costs, but influences up to 70% of health care decision-making

Predictive molecular diagnostic tools provide earlier, targeted interventions…averting adverse outcomes and reducing costs

- Personalized medicine
- Infectious disease testing
- Oncology/women’s health

2005 Global In Vitro Diagnostics (IVD) Market
$28.6 billion – 5% CAGR
Growing Importance of Molecular Diagnostics

• Changing diagnostics market
  – Early detection and intervention leads to better health care outcomes
  – More accurate detection leads to correct therapy
  – Market evolving to monitoring and customizing therapy

• Molecular diagnostics receiving increased attention
  – Diagnostics market benefiting from genomic revolution
  – Less development and regulatory risk than pharma
  – Increasing attention from Wall Street
The Role of Molecular Diagnostics (MDx)

• Utilizes advanced tools to directly detect DNA and RNA
• Enables earlier detection and intervention, leading to better and more cost-effective health care outcomes
  – Faster, more accurate detection of viruses such as hepatitis C and human papilloma virus
    • Antibody testing can require up to 60 days after infection
    • Molecular testing can take fewer than 30 minutes
  – Detection of inherited diseases with known genetic causes, such as cardiovascular disorders and cystic fibrosis
  – Detection of inherited propensity for certain cancers
  – Personalized medicine through the detection of a patient’s genetic likelihood of adverse drug effects and drug efficacy
• Limited number of molecular diagnostics methods
Third Wave Mission

To utilize our best-in-class Invader® nucleic acid testing chemistry to be the global leader in molecular diagnostics

Infectious & sexually-transmitted diseases
Personalized medicine
Inherited diseases
Oncology
Industrial & Agbio testing

Third Wave’s Invader Chemistry
Third Wave refocuses, begins transition to clinical molecular diagnostics.

- Clinical Research/Agbio Gross Margin
- 30% CAGR Clinical Revenue

Years: 2001 to 2006 Est
- 2001: $5.4M
- 2002: $6.6M
- 2003: $9.4M
- 2004: $15M
- 2005: $7.5M
- 2006 Est: $18M

Growth Rates:
- 2001 to 2002: 34%
- 2002 to 2003: 65%
- 2003 to 2004: 73%
- 2004 to 2005: 70%
Third Wave Strategy

- Driving revenue growth from current product menu
- Delivering best-in-class products to the highest growth market segments
- Investing in R&D to continually improve the Invader® chemistry and enable entry into new markets
  - HPV (Women’s Health/Oncology)
  - Warfarin (Pharmacogenetics)
Third Wave’s Competitive Advantages

- The Invader® chemistry
- Third Wave’s intellectual property portfolio
- Third Wave’s molecular diagnostic product menu and pipeline
The Invader® Chemistries

- **Invader® Chemistry**
  - Unique DNA and RNA analysis solution
  - Provide quantitation, specificity and ease-of-use advantages
  - Protected by 50 patents; more than 125 pending

- **Invader® Plus™**
  - All the advantages of the Invader® chemistry…
  - PLUS increased sensitivity provided by basic PCR

- **Invader® InPlex™**
  - Couples performance, ease of use of Invader® chemistry with 3M microfluidic technology
  - Enhances and extends the Invader® chemistry
    - Speed to Result
    - Efficiency
    - Ease of Use

The next generation of nucleic acid testing chemistries
The Invader® Chemistry: Foundation for NAT

- A patented nucleic acid testing chemistry
- Probe-based – directly detects specific nucleic acid sequences
- Probe flap recognition and cleavage
- Signal amplification – does not require PCR
- Isothermal reactions – no thermal cycling required
- Fluorescence detection
Case Study: The Invader® UGT1A1 Assay

- 100% accurate compared to DNA sequencing, the standard for genotype determination\(^1\)
- 98% reproducibility in multi-center clinical study\(^1\)
- Exceptionally easy to use with minimal hands-on time

Hands-on time <2 hours including sample prep
**Strategic Value of Invader® and Invader® Plus™**

- **Ownership of a new, high-performance fundamental molecular platform**
  - One of only a few companies to couple two high-performance chemistries
- **Others reliant on…**

<table>
<thead>
<tr>
<th>Real-Time PCR</th>
<th>Limited-Application Chemistries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roche</td>
<td>Digene</td>
</tr>
<tr>
<td>Celera / Abbott</td>
<td>Gen-Probe</td>
</tr>
<tr>
<td>Cepheid</td>
<td>BioMerieux</td>
</tr>
<tr>
<td>Others</td>
<td>Bayer</td>
</tr>
</tbody>
</table>
**Molecular Diagnostics: A High-Growth Market**

**Key Growth Drivers: MDx Market**
- Growing number of high-value clinical molecular diagnostic products
  - 1995: One - HIV detection
  - 2005: Dozens → Hundreds
- Growing acceptance by medical community
  - CFTR screening
  - HPV screening
  - Drug dosing and efficacy
  - Newborn screening
  - Infection detection, quantitation

- Global IVD market is $29 billion with 5-6% CAGR
- MDx fastest growing segment of IVD market: 15-25% CAGR

Global Molecular Diagnostics Market

$5.6 billion
2010-15

$1.6 billion
2005

Sources: Third Wave analysis, LEK, VPG
Molecular Diagnostics: A High-Growth Market

- Cancer: CAGR 50%, $43 million market
- Blood Processing: CAGR 20%, $529 million market
- Genetics: CAGR 25%, $88 million market
- Infectious Disease: CAGR 8%, $991 million market

$1.6 billion Global Molecular Diagnostics Market
• 30% CAGR in clinical molecular diagnostic revenue since 2001
• 147 recurring clinical laboratory customers
• Market leader in coagulation- and cardiovascular-related marker testing
• Positioned for leadership in pharmacogenetics
• Current menu will continue to drive growth in the short term
• **Analyte specific reagents (ASRs)** for the following analytes or markers
  – Factor V (Leiden), Factor II (prothrombin) and other coagulation/cardiovascular markers
  – CFTR
  – HCV
  – HPV
  – Others

• **Invader® UGT1A1 Molecular Assay IVD**
  – FDA-cleared for identification of patients who may be at increased risk of adverse reaction to the chemotherapy Camptosar (irinotecan), used to treat colorectal cancer
  – Preferred marketing relationship with Genzyme Genetics
  – UGT1A1 gene is being examined for effect on other drugs
  – Irinotecan being evaluated for use in 15 indications other than colorectal cancer

*Analyte Specific Reagent. Analytical and performance characteristics are not established.*
• **Market Opportunity**
  – Total global market opportunity: $1 billion
  – Total U.S. market opportunity: $500 million
  – Market 15-20% penetrated

• **Invader® chemistry advantages**
  – Specificity
  – Sensitivity
  – Simple workflow
  – Significant hands-off time

• **FDA submission: 2007**
The Complexity of Current Warfarin Dosing


**Warfarin: Dosing & Monitoring**

- **Start low**
  - Initiate 5 mg daily*
  - Educate patient
- **Stabilize**
  - Titrate to appropriate INR
  - Monitor INR frequently (daily then weekly)
- **Adjust as necessary**
- **Monitor INR regularly (every 1–4 weeks) and adjust**

* Elderly, frail, liver disease, malnourished: 2 mg/day
• Continue to build leadership position in pharmacogenetics begun with FDA clearance of Invader® UGT1A1 Molecular Assay
• Market emerging, but opportunities growing
• Warfarin (Coumadin®) metabolism
  – Anti-coagulant prescribed 22 million times a year, 300,000 new Rx a year
  – High frequency of adverse drug reactions
  – FDA subcommittee recommends relabeling to include genetic profile information to assist in dosing
• Opportunity to leverage company’s market leadership in in coagulation- and cardiovascular-related marker testing
High-value products with large and growing market opportunities

- Other women’s health applications that extend, complement HPV IVD product
- Additional infectious disease applications that expand market for current product or allow entry into new, high-value market segments
- Universal Invader® Plus™ Program
- Product pipeline update in Q3 2006
A Talented, Experienced Team

Strong management team with experience from GE Healthcare, Genzyme, Bayer & Roche

<table>
<thead>
<tr>
<th>People</th>
<th>Average Industry Experience</th>
<th>Past Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research &amp; Development</td>
<td>33</td>
<td>10 years</td>
</tr>
<tr>
<td>Sales, Technical &amp; Customer Support</td>
<td>31</td>
<td>13 years</td>
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</table>
Third Wave Japan

• Joint venture with Mitsubishi Corporation
  – $4 million investment, 14% ownership
  – CSK Holdings invested $1 million, 3% ownership
• Accelerate IVD development, submissions and clinical market penetration
• Focused on infectious disease and pharmacogenetics
• BML, second-largest Japanese clinical lab company, to adopt new Invader® products as approved
• Leverage Asian markets beyond Japan
• Third Wave retains rights to any product developed by Third Wave Japan
• Invader® chemistry can be used in plant and animal breeding and diagnostics, food safety, and other agricultural applications
• 4 of top-5 seed companies use Invader® chemistry
• 64% CAGR
• Gross margins >75%
• Low overhead: 4 FTEs support entire business
• Outsource probe manufacturing model
## Financial Milestones

<table>
<thead>
<tr>
<th>Description</th>
<th>Milestone</th>
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</thead>
<tbody>
<tr>
<td>Total Revenue</td>
<td>$23-25 million</td>
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<tr>
<td>U.S. Clinical Revenue</td>
<td>$15.5-$17.5 million</td>
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<tr>
<td>Total Clinical Revenue</td>
<td>$16-18 million</td>
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<tr>
<td>Research Revenue</td>
<td>~$7 million</td>
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## Product Milestones

<table>
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<tr>
<td>Warfarin metabolism reagents</td>
<td>2H 2006</td>
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<tr>
<td>CFTR InPlex IVD</td>
<td>2H 2006</td>
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<tr>
<td>FDA submission</td>
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<tr>
<td>Product Pipeline Update</td>
<td>Q3 2006</td>
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<tr>
<td>HPV IVD</td>
<td>2007</td>
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<tr>
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Investment Thesis

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